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ANNUAL REPORT

From Lake to Plate
Freshwater Fish Marketing Corporation



Canada

Letter of Transfer



FROM CHAIRPERSON OF THE BOARD OF DIRECTORS TO MINISTER OF FISHERIES AND OCEANS

Honourable Loyola Hearn
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Mr. Hearn:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the *Financial Administration Act* (FAA). The Annual Report includes audited financial statements for the fiscal year ending April 30, 2007.

The Corporation welcomes new President and Chief Executive Officer John Wood, who took over the position from Robert Hand in October 2006, after a nationwide search conducted by the Board's Selection Committee and assisted by a recruiting firm. John holds a Masters in Business Administration from Wilfrid Laurier University School of Business and Economics, and has held executive positions with a number of food processing companies both in Canada and overseas. He brings experience in strategic planning and international business development to the Corporation.

We bid farewell to two Board members this year when their terms ended: David McArthur (the provincial appointee for Alberta), who retired after nearly twenty-six years of loyal and cheerful service; and Terry Hansen, a strong representative for the province of Saskatchewan. We welcome the two new Directors who replace them: Gail Wood of Edmonton, Alberta, and Peter Beatty of Deschambault Lake, Saskatchewan, respectively. Together they bring a wide range of experience and expertise to our corporate governance.

We continue to be dedicated to the fishing industry and look forward to overcoming the many challenges we face in this competitive business.

Respectfully,

Jim Bear
Chairperson of the Board

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Cover: Chief John MacDonald
Hay River, Northwest Territories

President's Report

First, I would like to thank former President and CEO Bob Hand for his work in assuring a smooth transfer of the reins midway through the year. I am very pleased to have joined the team at Freshwater Fish Marketing Corporation and excited to be working with a strong Board and senior management team as we begin a new chapter in the growth of the Corporation.

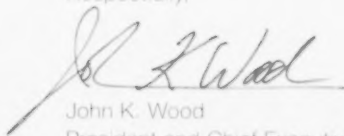
An in-depth strategic review was initiated in January 2007, with the objective of building on past achievements and positioning the Corporation to compete effectively in today's challenging business environment. The Corporation does not only compete in the Canadian or even North American seafood market; it must compete as part of the global food chain and must meet the world-class standards that this demands. The Strategic Plan will need to focus resources on the protection of our traditional markets, guide investment in the development of new markets, and continue the work of improving the efficiency and cost structure of the entire supply chain from 'Lake to Plate'.

Several important milestones were achieved during the 2006/07 fiscal year. Pickerel deliveries and sales reached all-time highs. Total returns to fishers increased from \$28.1 million to \$30.9 million, the first year-over-year increase since the 2002/03 financial year.

This year, the Corporation undertook its second Fisher Survey and a summary of results is discussed later in this report. The Department of Fisheries and Oceans commissioned a study to define and understand the effects of a dual marketing structure. This study was conducted by the George Morris Centre, a well-known and respected industry economic research organization.

We will build on our strengths and opportunities, driven by our mandate to improve returns to fisher stakeholders.

Respectfully,



John K. Wood
President and Chief Executive Officer
Winnipeg, Manitoba



*"We continue the
work of improving the
efficiency and cost
structure of the entire
supply chain from
'Lake to Plate'."*

Corporate Profile

*The Corporation is a
recognized price leader,
exercising its mandate to
market fish interprovincially
and internationally.*

Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of Northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully harvested and offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Profits, in the form of final payments, are distributed annually to participating fishers.

The Board of Directors, with the President and Chief Executive Officer, governs the Corporation. All eleven positions on the Board are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2006/07 fiscal year, six of those Directors were fishers and six were Aboriginal. A three-member senior management team assists the President and forty-six full-time staff provide administrative support. The Corporation employs another 170 full-time production personnel, which can expand to 350 during busy seasons. Thirty-one contracted agents and three corporate agencies grade and purchase fish at sixty-one delivery points. Approximately 2,300 fishers deliver the product harvested from more than 400 lakes in the region.

Freshwater Fish Marketing Corporation has established a solid reputation for product reliability, quality and safety. The Corporation is a recognized price leader, exercising its mandate to market fish interprovincially and internationally. It has a leadership position in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France. The Corporation's plant is kosher-certified and the largest supplier of fish to the gefilte fish market.



Management Discussion & Analysis



Poplar River barge

A stronger-than-forecast fourth quarter helped the Corporation achieve a year-over-year increase in returns to fishers for the first time since the 2002/03 fiscal year. Initial payments of \$30.2 million were 11% above the previous year's \$27.3 million. A final payment of \$0.7 million brought total payments to \$30.9 million, an increase of 10% on the previous year's total of \$28.1 million. These improvements were driven by record pickerel landings and sales, stronger whitefish prices later in the year, and savings from internal initiatives. The Corporation set a record in pickerel/walleye sales volume of 3.0 million kilograms this fiscal year, a 0.7 million kilogram increase over 2005/06.

Many of the factors that determined the financial results for the 2006/07 year were a continuation of those that have had an impact on the Corporation for the past several years. The most significant of these were: (1) the continuing climb of the Canadian dollar after a period of weakness early in the year; (2) a further decline in deliveries of all species except pickerel; (3) the high volume of pickerel landed both in western Canada and from the Great Lakes; and (4) the positive impact of strategic initiatives.

Exchange Rate

The exchange rate between the US dollar and the Canadian dollar is an issue that has been with the Corporation and every other exporter in Canada for four years now. During the fiscal year 2002/03,

the US\$/C\$ averaged 65.0 to the Canadian dollar, while in the 2006/07 fiscal year the average was 87.9. Economists now seem to agree that the Canadian economy is driven by energy and natural resources, and the worldwide demand for these resources will continue to put upward pressure on the Canadian dollar. The Corporation will need to position itself to operate with a dollar valued at USD .95 to 1.00.

Economics

The decline in deliveries of most species appears to be driven by economics: for many fishers, it is simply not financially viable to harvest low-valued species at existing prices when the cost of fuel, labour and many other inputs has increased so dramatically. This, along with the alternative income available from the jobs provided by a strong western economy, has created a situation in which participation in the fishery has declined. The one significant exception to this trend is the high-value pickerel fishery in which record landings have been driven by a healthy resource and prices that, although softening, are still well above those of other species. In total, deliveries (round weight equivalent) of species other than pickerel were down 0.2 million kilograms to 10.5 million kilograms but initial payments (net of freight) were up by \$0.3 million to \$9.4 million. Pickerel deliveries were up by 0.4 million kilograms in weight to 6.4 million kilograms and \$2.6 million in initial payments to \$20.8 million.

High Pickerel Volume

An increase in pickerel quotas on Lake Erie meant a substantial increase in the volume of Great Lakes pickerel sold into the Corporation's key US markets. Although this additional supply created a general softening of prices, the Corporation managed the situation by holding inventory back to avoid flooding the market. Alternative markets were found in Europe, mainly Germany. Lake Erie quotas for pickerel have been reduced for the 2007 season, which should create a better selling environment for the 2007/08 fiscal year.

Cost Management

The need to drive costs out of the supply chain is a priority for the Corporation and a number of initiatives designed to achieve this were either continued or started in 2006/07. The move from tubs to totes has met with great success and by the end of the fiscal year, one hundred percent of deliveries were arriving in Winnipeg in totes. Under the plant's continuous improvement plan, Phases Two and Three of the Processing Operating System project were completed. April 30, 2007 marked the first complete year under Phase One with cumulative savings topping \$400,000.

Strategic Directions



The impact of the trend for customers to require more from their suppliers is multiplied by ongoing consolidation in both the foodservice and retail sectors.

In 2000, the Corporation undertook the creation of a Strategic Directions Plan that has now guided the business for six fiscal years. In January 2007, the Corporation put together a team to review its Plan with the objective of updating and revising the strategy to address the latest issues and challenges faced by the business.

The team began its review with a 'Situation Analysis'. This is a comprehensive look at the many factors that may impact the business during the five-to-ten-year planning period. It is not possible to cover all these factors in detail here; what follows is a summary of those with the most significance to the Corporation.

Global Food Chain

The Corporation must compete in a global food chain that provides consumers with an abundance of alternatives for their food dollar. As barriers to entry fall, the Corporation's traditional markets have come under increasing pressure from international competition. For example: Eastern Europe has supplied zander (European pickerel) to customers in the US Midwest, and Asian carp has become an alternative source for the New York kosher market.

Strength of the Canadian Economy

This factor is responsible for a number of opportunities and issues. The consumer has more disposable income to spend on luxury items such as restaurant meals, where the majority of FFMC products are consumed. On the negative side, labour is in short supply for both harvesting and processing, fuel is expensive and it is this situation that is causing the relentless climb of the Canadian dollar.

Declining Volume of Deliveries

This appears to be driven by economics; for many fishers, it is simply not financially viable to harvest low-valued species at existing prices when the cost of fuel, labour and many other inputs has increased so dramatically. This, along with alternative income sources available from jobs provided by a strong western economy, has created a situation in which participation in the fishery has been declining.

Fishery Management / Sustainability

Sustainability has not yet impacted the Corporation's specific markets but it has become an issue for many of the marine fisheries around the world, including Canada. Multi-national retail chains are 'going green', which means asking for proof that wild-caught fish is coming



from sustainable fisheries. Certification of sustainability is a long and expensive process but one that will become a necessity to assure continued market access.

Increasing Food Safety Regulation Worldwide

The Corporation already meets the very stringent standards for registration by the Canadian Food Inspection Agency (CFIA) and has in place QMP, HACCP and other programs as required. But as markets such as the European Union continue to tighten their requirements, the Corporation must continue to respond or lose its ability to export. At the close of the fiscal year, the plant was in the middle of its first scheduled maintenance shutdown for many years. The reason was the need to recover floors and ceilings to meet CFIA registration requirements.

Customer and Consumer Requirements

Consumers are becoming increasingly particular with food purchases. Priority is given to convenience, consistent quality and continuity of supply. On top of this, our customers (restaurants and supermarkets) require their suppliers to do more of the work, so that packaging, portion control and even pre-cooking are now important criteria for success in the market. Consolidation in both the retail and foodservice sectors will put pressure on margins.

Fish is in Fashion as a Healthy Alternative to Red Meat

Fish has long been considered a healthy food choice and with Omega 3 fatty acids becoming a major consumer health concern, fish has gained in stature as a protein source of choice. Finding products and markets that can leverage this very positive story will provide new opportunities.

The Way Forward

In addressing these challenges and opportunities, the Strategic Planning team acknowledged the value of the 'three pillars' on which the previous Plan was structured, namely:

- 1) Sustaining Market Leadership,
 - 2) Increasing Returns to Fishers and Their Communities, and
 - 3) Earning Respect and Recognition.
- The revised Plan will use the concepts embedded in these 'three pillars' to assure a continued focus on the things that are important to the organization and the fishery it serves.

Sustaining Market Leadership: Many of the initiatives in this area have been species-specific with positive results. This successful experience will be expanded so that each major species is managed according to its own business plan. Fisher input will be a part of this new process.

Increasing Returns to Fishers and Their Communities: A major focus here is the efficiency and cost-effectiveness of the entire supply chain from 'lake-



to-plate'. Resources will be added to bring focus to this area.

Earning Respect and Recognition: The Corporation will continue to build on stakeholder communication processes such as the newsletter, website, Fisher Survey and Customer Survey already in place and add new processes where gaps are found.

The challenges ahead will not be easily managed but there are opportunities for the fishery to excel in the marketplace. The Strategic Plan will be designed to position the Corporation to take on these challenges and meet its mandated priority of increasing returns to fishers.

EMPLOYEE RECOGNITION 30 YEARS SERVICE

• Mike Sopher

Performance Indicators



FFMC management uses
survey results to measure
the Corporation's ongoing
performance in key performance
areas and to determine any
corrective actions that
may be required.

2006 Customer Survey

A customer survey was conducted by Probe Research in 2006 to determine whether FFMC was the supplier of choice with regard to quality, service and reliability. Customers surveyed included a sampling of companies from the U.S., Canada, France and Finland.

This survey was the second follow-up study to the original base-line study completed in 2001. The first follow-

up survey was conducted in 2004.

FFMC management uses these results to measure the Corporation's ongoing performance in these key performance areas and to determine any corrective actions that may be required.

The 2006 results showed improvement in most areas including service, reliability and overall performance. A condensed summary of the results are presented in the table below.

Survey Results: Performance Evaluation

Factor	2001 Score	2004 Score	2006 Score
Service	4.3 out of 5	3.8 out of 5	4.1 out of 5
Quality	4.4 out of 5	3.8 out of 5	4.2 out of 5
Reliability	4.4 out of 5	3.9 out of 5	4.1 out of 5
Overall Performance	7.7 out of 10	7.2 out of 10	7.6 out of 10

Probe Research 2006

Other measures of performance included customers' opinions regarding FFMC's status as an industry leader and preferred supplier. The following is a summary of the survey results.



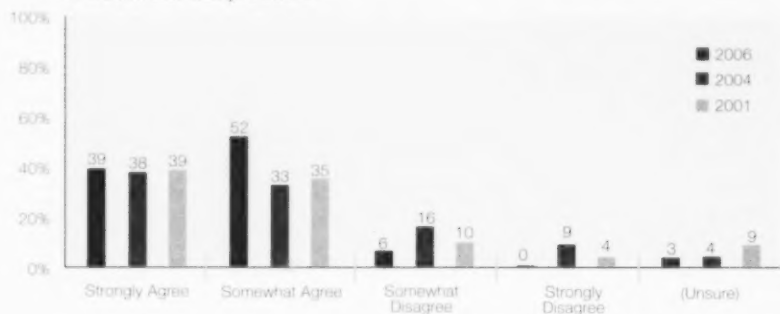
Preferred Supplier

Probe Research 2006

When asked whether respondents agreed with the statement that FFMC was their preferred supplier of freshwater fish products, nine in ten respondents (91%) indicated they "strongly" (39%) or "somewhat agreed" (52%). Overall agreement with this statement is somewhat higher than those levels reported in both 2004 (71%) and 2001 (74%).

"... tell me if you personally agree or disagree with what I am saying.
(Is that somewhat or strongly?)"

Statement 1: "Freshwater Fish Marketing Corporation is my preferred supplier of freshwater fish products."



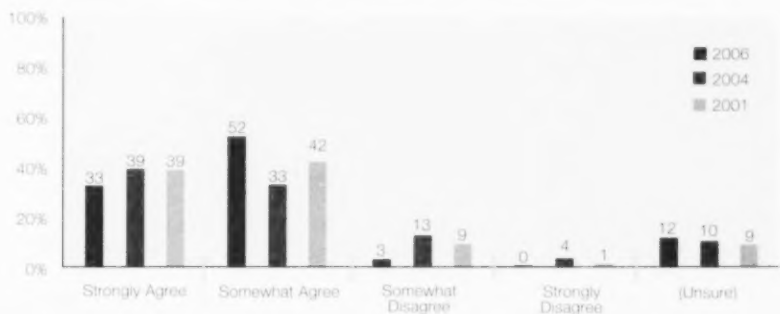
Industry Leader

Probe Research 2006

The view that FFMC is an industry leader was held by 85% of respondents (33% strongly agree; 52% somewhat agree). This figure is somewhat higher than in 2004 (72%) and 2001 (80%).

"... tell me if you personally agree or disagree with what I am saying.
(Is that somewhat or strongly?)"

Statement 2: "Freshwater Fish Marketing Corporation is an industry leader."



2006/07 Fisher Profile Survey II

The socio-economic characteristics of fishers have not changed significantly between 2004 and 2007. Reported median fishing income has not decreased as expected.

An initial survey of fishers was undertaken in 2003/04 in order to gather their attitudes and opinions related to FFMC performance and measure their support for the legislated mandate of the Corporation. A second fisher profile survey was conducted in 2006/07 with support from Fisheries and Oceans Canada.

Comparative Fisher Demographics

	2007 Results	2004 Results
Median Age	49	45
Sex	89% male	90% male
Aboriginal/Métis Heritage	72%	75%
Education Less than High School	70%	74%

Probe Research 2006

Comparative Fisher Economics

	2007 Results	2004 Results
Fishing Primary Source of Income	57%	52%
Median Fishing Income	\$10,000	\$10,000
Working for Other Income	47%	54%
Median Other Income	\$16,000	\$13,000
Average Weeks of Fishing	12.4	13.2
Deliver All Fish to FFMC	61%	59%
Collecting EI Benefits	48%	49%
Collecting Social Assistance	19%	20%

Probe Research 2006

The socio-economic characteristics of fishers have not changed significantly between 2004 and 2007. Reported median fishing income has not decreased as expected since FFMC returns to fishers declined by 22% since the 2004 survey was completed. Median income from other employment is significantly higher.

Understanding FFMC

Two-thirds of fishers (unchanged since 2004) believe FFMC operates more like a government department than a business. Only 35% (down from 44% in 2004) know that FFMC distributes profits to fishers, while 77% (up from 75% in 2004) believe that FFMC keeps some of its profits. Large and increasing numbers of fishers believe that FFMC receives financial assistance from federal (59%, up from 53% in 2004) or provincial (45%, up from 42% in 2004) governments, which is not true. Understanding of the financial fundamentals of the Corporation continues to be an area of weakness.

Support for the Mandate and Performance under the Mandate

A solid, but reduced, majority of fishers continue to support the single desk marketing arrangement (64%, down from 69% in 2004) and FFMC's exclusive marketing rights in export and interprovincial fish trade (66%, down from 71% in 2004). Assessment of FFMC's performance under the mandate fell from 78% who felt that FFMC was doing a "good job" in 2004 to 66% in 2007. These overall results are not surprising, given the fact that the three years preceding the 2004 survey set records for FFMC performance, while the financial performance of the last three years has been poor in comparison. Fifty-seven percent of fishers (vs. 59% in 2004) indicated that they are still optimistic about the future of the freshwater fish industry.

The Fisher Profile Survey II also delved into two new areas of inquiry that were not included in 2004.

Satisfaction and Importance by Function

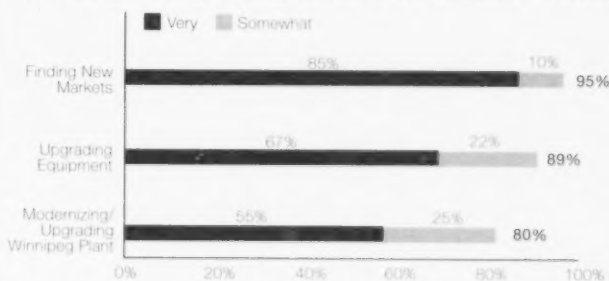
Survey respondents were asked to rate the importance of various functions of FFMC and also indicate how satisfied they were with FFMC's performance in each function area. This enabled a gap analysis. Three stand out: (1) 82% felt that "developing new markets" was important and only 47% expressed satisfaction with FFMC's performance; (2) "developing new products" was important to 76% of fishers, with 43% reporting satisfaction with FFMC efforts; and (3) "frequent communication" was important to 80% of fishers, but only 46% were satisfied with FFMC's performance in this respect.

Renewal and Development

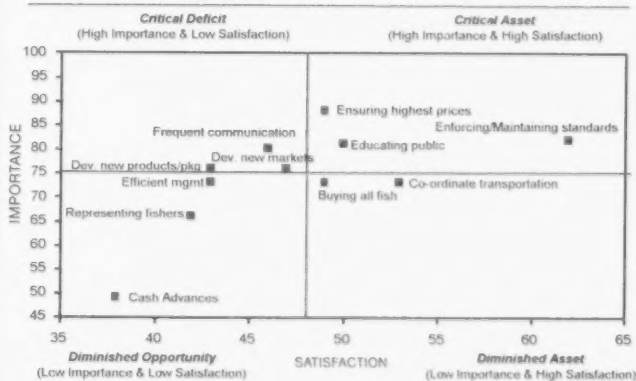
Most fishers felt that it was important to invest in renewal and development of the business in all three of the crucial areas of market development, upgrading equipment, and modernizing the processing plant. A majority of fishers (52%, 60% and 66%, respectively) were of the opinion that the government(s) should fund re-investment in all three areas.

Importance of Renewal/Development Probe Research 2006

"FFMC has identified several areas that will require significant investment to ensure the survival and performance of the company in the future. I want to describe a few of these areas and for each one, I'd like you to tell me how important it is that this area receives financial support..." (n=500)



Quadrant Analysis of FFMC's Overall Performance on Mandate Components Probe Research 2006



Ten-Year Financial Summary

Fiscal Year ended April 30 (All amounts in millions of dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales	\$43.0	\$50.7	\$54.9	\$61.9	\$68.2	\$66.8	\$60.3	\$59.3	\$55.3	\$61.6
Net Income Before Final Payments	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	(\$0.8)	\$1.4	\$0.8	\$0.7
Fish Purchases	\$22.1	\$27.9	\$34.2	\$36.7	\$35.9	\$37.7	\$35.7	\$30.4	\$29.2	\$32.1
Net Income Plus Fish Purchases	\$24.2	\$33.5	\$38.5	\$43.5	\$43.3	\$43.9	\$34.9	\$31.8	\$30.0	\$32.8
Accounts Receivable - Trade	\$3.4	\$4.8	\$5.8	\$6.3	\$7.4	\$7.1	\$7.9	\$7.0	\$5.1	\$6.0
Inventory - Finished Fish Products	\$4.7	\$5.0	\$8.8	\$12.2	\$10.9	\$13.7	\$14.4	\$12.4	\$12.6	\$12.0
Inventory - Packaging Material and Parts	\$1.1	\$0.8	\$0.8	\$0.9	\$0.8	\$0.9	\$0.9	\$1.0	\$0.9	\$0.9
Capital Assets - Net Book Value	\$6.1	\$6.3	\$6.5	\$6.2	\$6.7	\$6.9	\$6.7	\$6.3	\$6.1	\$8.6
Loans Payable	\$7.1	\$5.8	\$10.9	\$12.1	\$11.5	\$14.0	\$23.1	\$18.4	\$17.8	\$20.7
Retained Earnings*	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$3.3	\$3.3	\$3.3	\$3.3

* Retained Earnings

Over the years, the Corporation gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduce the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFMC, it provides some security against unexpected downturns in the market or extremely serious financial setbacks, such as the net income loss that occurred during the 2003/04 fiscal year as a result of the sharply (12%) lower US-to-Canadian dollar exchange rate. This situation caused a decrease in Retained Earnings of \$0.8 million, to \$3.3 million.

How Fishers are Paid



The *Freshwater Fish Marketing Act* mandates the Corporation to purchase all commercially caught fish in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of Northwestern Ontario. The Act entitles the Corporation to establish a payment structure that provides initial and final payments under a "pool" system where receipts and costs are allocated or "pooled" by fish species to determine final payments.

Generally, initial prices are set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding a contingency amount. An exception is exercised when the Corporation is developing new markets or products. Then initial prices are set above market-justified levels to secure production for establishing new markets.

The Corporation's policy is to set initial prices for all species at levels designed to promote a full fishery in all regions. Higher volumes, including lower-value species, help develop markets, maximize efficiencies and contribute to fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions. A temporary delivery premium may be offered for a given species to encourage fishers to harvest when prices are strong or when there is an urgent need to meet a customer's requirement.

At the end of the fiscal year, after the annual audit by the Office of the Auditor General, the Corporation determines final payments from the pooled receipts. A final payment is recommended when sales revenues exceed all direct and allocated costs for a given species.

The following table provides a ten-year history of pool results.



Financial Returns and Deliveries

TEN YEAR SUMMARY (1998-2007), FISCAL YEAR ENDED APRIL 30
Initial and Final Payments in Millions of Dollars (Current Dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Pickerel										
Delivered weight ¹	2.8	3.7	4.6	5.7	5.1	5.1	5.6	5.6	6.0	6.4
Price/Round Kg. ²	\$3.61	\$4.38	\$4.28	\$4.19	\$4.45	\$4.65	\$3.45	\$3.41	\$3.15	\$3.35
Initial Payment ³	\$8.7	\$13.0	\$17.3	\$19.6	\$16.8	\$18.2	\$19.3	\$17.9	\$18.2	\$20.8
Final Payment	\$1.4	\$3.2	\$2.4	\$4.3	\$5.9	\$5.5	\$0.0	\$1.2	\$0.71	\$0.67
Total Payment	\$10.1	\$16.2	\$19.7	\$23.9	\$22.7	\$23.7	\$19.3	\$19.1	\$18.91	\$21.47
3 Yr. Moving Avg. ⁴	\$11.0	\$11.8	\$15.3	\$20.9	\$22.1	\$23.4	\$21.9	\$20.7	\$19.1	\$19.8
Whitefish										
Delivered weight ¹	5.5	5.3	5.6	6.5	6.8	7.0	6.7	5.9	5.4	5.5
Price/Round Kg. ²	\$0.91	\$1.09	\$1.27	\$1.43	\$1.16	\$1.19	\$1.10	\$1.00	\$1.02	\$1.09
Initial Payment ³	\$5.0	\$5.0	\$6.2	\$7.8	\$7.9	\$8.3	\$7.4	\$5.9	\$5.5	\$6.0
Final Payment	\$0.0	\$0.8	\$0.9	\$1.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$5.0	\$5.8	\$7.1	\$9.3	\$7.9	\$8.3	\$7.4	\$5.9	\$5.5	\$6.0
3 Yr. Moving Avg. ⁴	\$5.7	\$5.6	\$6.0	\$7.4	\$8.1	\$8.5	\$7.9	\$7.2	\$6.3	\$5.8
Northern Pike										
Delivered weight ¹	2.4	2.7	2.8	2.6	2.5	2.4	2.3	1.9	1.3	1.7
Price/Round Kg. ²	\$0.67	\$0.81	\$0.82	\$0.85	\$0.80	\$0.71	\$0.65	\$0.58	\$0.62	\$0.59
Initial Payment ³	\$1.6	\$1.9	\$2.0	\$1.9	\$1.8	\$1.7	\$1.5	\$1.1	\$0.8	\$1.0
Final Payment	\$0.0	\$0.3	\$0.3	\$0.3	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$1.6	\$2.2	\$2.3	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1	\$0.8	\$1.0
3 Yr. Moving Avg. ⁴	\$1.7	\$1.8	\$2.0	\$2.2	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1	\$1.0
Sauger										
Delivered weight ¹	1.0	1.1	1.0	0.6	0.7	0.8	0.8	0.6	0.3	0.2
Price/Round Kg. ²	\$2.50	\$3.55	\$3.20	\$3.33	\$4.14	\$3.88	\$3.13	\$2.83	\$3.17	\$2.5
Initial Payment ³	\$2.0	\$2.9	\$2.8	\$1.6	\$2.2	\$2.5	\$2.5	\$1.6	\$0.9	\$0.5
Final Payment	\$0.5	\$1.0	\$0.4	\$0.4	\$0.7	\$0.6	\$0.0	\$0.1	\$0.05	\$0.0
Total Payment	\$2.5	\$3.9	\$3.2	\$2.0	\$2.9	\$3.1	\$2.5	\$1.7	\$0.95	\$0.5
3 Yr. Moving Avg. ⁴	\$3.5	\$3.2	\$3.2	\$3.0	\$2.7	\$2.7	\$2.8	\$2.4	\$1.7	\$1.1
Mullet										
Delivered weight ¹	3.7	3.9	5.8	5.4	5.0	5.4	3.9	2.6	2.6	1.9
Price/Round Kg. ²	\$0.27	\$0.28	\$0.29	\$0.28	\$0.28	\$0.26	\$0.26	\$0.27	\$0.31	\$0.37
Initial Payment ³	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7	\$0.8	\$0.7
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7	\$0.8	\$0.7
3 Yr. Moving Avg. ⁴	\$1.1	\$1.1	\$1.3	\$1.4	\$1.5	\$1.4	\$1.3	\$1.0	\$0.8	\$0.7
Perch										
Delivered weight ¹	0.2	0.2	0.2	0.2	0.6	0.5	0.3	0.2	0.2	0.2
Price/Round Kg. ²	\$4.50	\$5.50	\$5.50	\$4.50	\$4.50	\$3.60	\$3.00	\$3.50	\$2.70	\$3.15
Initial Payment ³	\$0.7	\$0.8	\$0.8	\$0.6	\$2.2	\$1.8	\$0.9	\$0.6	\$0.5	\$0.6
Final Payment	\$0.2	\$0.3	\$0.3	\$0.3	\$0.5	\$0.0	\$0.0	\$0.1	\$0.04	\$0.03
Total Payment	\$0.9	\$1.1	\$1.1	\$0.9	\$2.7	\$1.8	\$0.9	\$0.7	\$0.54	\$0.63
3 Yr. Moving Avg. ⁴	\$1.2	\$1.0	\$1.0	\$1.0	\$1.6	\$1.8	\$1.8	\$1.1	\$0.7	\$0.6
Other										
Delivered weight ¹	1.2	1.3	1.3	1.3	1.3	1.6	1.1	0.9	0.9	1.0
Price/Round Kg. ²	\$0.67	\$0.54	\$0.62	\$0.62	\$0.77	\$0.69	\$0.73	\$0.67	\$0.67	\$0.6
Initial Payment ³	\$0.8	\$0.7	\$0.8	\$0.8	\$0.9	\$1.0	\$0.8	\$0.6	\$0.6	\$0.6
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$0.8	\$0.7	\$0.8	\$0.8	\$1.0	\$1.1	\$0.8	\$0.6	\$0.6	\$0.6
3 Yr. Moving Avg. ⁴	\$1.0	\$0.9	\$0.8	\$0.8	\$0.9	\$1.0	\$0.9	\$0.8	\$0.7	\$0.6
All Pools										
Delivered weight ¹	16.8	18.2	21.3	22.3	22.0	22.8	20.7	17.7	16.7	16.9
Price/Round Kg. ²	\$1.30	\$1.70	\$1.69	\$1.82	\$1.85	\$1.80	\$1.61	\$1.68	\$1.68	\$1.8
Initial Payment ³	\$19.8	\$25.4	\$31.6	\$33.8	\$33.2	\$34.9	\$33.4	\$28.4	\$27.3	\$30.2
Final Payment	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	\$0.0	\$1.4	\$0.8	\$0.7
Total Payment	\$21.9	\$31.0	\$35.9	\$40.6	\$40.6	\$41.1	\$33.4	\$29.8	\$28.1	\$30.9
3 Yr. Moving Avg. ⁴	\$25.1	\$25.3	\$29.6	\$35.8	\$39.0	\$40.8	\$38.3	\$34.7	\$30.4	\$29.6

Management's Responsibility for Financial Statements

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include amounts, such as the allowance for doubtful accounts and the write-down of inventory, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal studies, which consist of periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors meets with management and the external auditor on a regular basis. External auditors have full and free access to the Board.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing her report thereon.



John K. Wood
John K. Wood
President and Chief Executive Officer
Freshwater Fish Marketing Corporation

Gabriella Bradics
Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 6, 2007



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2007 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, except for a remuneration payment of unused sick leave for which approval was not obtained in accordance with Section 108 (1) of the *Financial Administration Act*, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

Douglas G. Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 6, 2007

Balance Sheet

Financial Statements

as at April 30 (in thousands)

2007

2006

ASSETS

Current

Cash and cash equivalents (Note 3)	\$ 765	\$ -
Accounts receivable	6,487	5,470
Inventories (Note 4)	12,919	13,572
Prepaid expenses and other assets	458	468
	<u>20,629</u>	<u>19,510</u>

Property, plant and equipment (Note 5)	8,572	6,127
	<u>\$ 29,201</u>	<u>\$ 25,637</u>

LIABILITIES

Current

Bank overdraft	\$ -	\$ 1
Accounts payable and accrued liabilities	4,412	3,743
Provision for final payments to fishers	727	799
Loans payable (Note 6)	20,740	17,772
	<u>25,879</u>	<u>22,315</u>

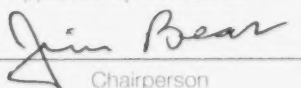
Contingencies (Note 13)

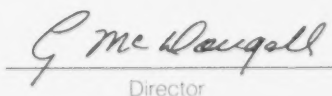
RETAINED EARNINGS

Retained earnings	3,322	3,322
	<u>\$ 29,201</u>	<u>\$ 25,637</u>

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


Chairperson


Director

Statement of Operations and Retained Earnings

for the year ended April 30 (in thousands)	2007	2006
OPERATIONS		
Sales		
Export	\$ 51,908	\$ 46,053
Domestic	9,708	9,270
	<u>61,616</u>	<u>55,323</u>
Cost of sales		
Opening inventory of finished fish products	12,645	12,386
Add fish purchases and processing expenses:		
Fish purchases	32,068	29,155
Salaries, wages and benefits (Note 9)	9,300	8,806
Packing allowances and agency operating costs	4,898	5,085
Packaging and storage	3,657	3,354
Utilities and property taxes	1,302	1,237
Amortization of production assets	1,340	1,168
Repairs and maintenance	688	690
Other	831	824
	<u>66,729</u>	<u>62,705</u>
Less ending inventory of finished fish products (Note 4)	<u>(12,028)</u>	<u>(12,645)</u>
	<u>54,701</u>	<u>50,060</u>
Gross profit on operations	<u>6,915</u>	<u>5,263</u>
Marketing and administrative expenses		
Salaries and benefits (Note 9)	1,970	2,147
Interest and foreign exchange gains and losses (Note 8)	1,769	5
Commissions (Note 7)	1,103	1,025
Data processing, office and professional services	552	496
Advertising and promotion	247	204
Meeting fees and expenses	167	166
Amortization of administration assets	117	165
Other	263	256
	<u>6,188</u>	<u>4,464</u>
Income before provision for final payments to fishers	<u>727</u>	<u>799</u>
Provision for final payments to fishers	<u>727</u>	<u>799</u>
Net income for the year (Note 10)	<u>-</u>	<u>-</u>
Retained earnings at beginning of the year	<u>3,322</u>	<u>3,322</u>
Retained earnings at end of the year	<u>\$ 3,322</u>	<u>\$ 3,322</u>

The accompanying notes are an integral part of the financial statements

Statement of Cash Flows

Financial Statements

for the year ended April 30 (in thousands)	2007	2006
CASH PROVIDED BY (USED FOR)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (deduct) items not affecting cash:		
Amortization	1,457	1,333
Loss on disposal of property, plant and equipment	60	58
Net changes in non-cash working capital balances relating to operations	315	1,091
Decrease in provision for final payments to fishers	(72)	(557)
Cash provided by operating activities	1,760	1,925
Investing activities		
Additions to property, plant and equipment	(3,996)	(1,245)
Proceeds on disposal of property, plant and equipment	34	11
Cash used for investing activities	(3,962)	(1,234)
Financing activities		
Increase (decrease) in loans payable	2,968	(662)
Cash provided by (used for) financing activities	2,968	(662)
Increase in cash and cash equivalents during the year	766	29
Bank overdraft at beginning of year	(1)	(30)
Cash and cash equivalents (Bank overdraft) at end of year	\$ 765	\$ (1)
Represented by:		
Cash	432	-
Term deposit	333	-
Bank overdraft	-	(1)
	\$ 765	\$ (1)

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

April 30, 2007

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$32.3 million for the 2006/07 fiscal year.

An amendment to the *Freshwater Fish Marketing Act* was approved on June 22, 2006 increasing the legislative borrowing limit of the Corporation to \$50 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income and large corporations taxes under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Freshwater Fish Marketing Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies used in the preparation of these financial statements are summarized on the following pages and conform in all material respects to Canadian GAAP.

Cash and cash equivalents

Cash and cash equivalents include cash and term deposits, maturing in less than three months from acquisition date.

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2 1/2%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate property, plant and equipment classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products sold during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Revenue and expense items are translated into Canadian dollars at the monthly average exchange rate in effect during the year. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. All foreign exchange gains and losses incurred are included in interest and foreign exchange gains and losses.

Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Revenue recognition

Sales are recorded on an accrual basis and recognized when products are shipped to customers.

Derivative financial instruments

Derivative financial instruments are utilized by the Corporation in the management of its foreign currency exposures and not for trading or speculative purposes. The Corporation does not apply

hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon issuance, and removed from the balance sheet when they expire or are terminated. Both on initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as a component of prepaid expenses and other assets. Derivatives with a negative fair value are reported as a component of accounts payable and accrued liabilities. All changes in the fair value of derivatives are recognized in income in the period in which they occur as a component of interest and foreign exchange gains and losses. Derivatives are intended to be held to maturity resulting in the cumulative unrealized gains and losses on individual derivative instruments netting to zero over the life of the instruments.

Use of estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts, the provision to reduce all slow moving or unsellable finished fish inventories to their estimated net realizable value and derivative financial instruments measured at fair value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations. If actual results differ from these estimates, the impact would be recorded in future periods.

Future accounting changes

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Corporation's next fiscal year. The Corporation is in the process of determining the impact that these standards will have on its financial reporting.

Section 3855 - Financial Instruments — Recognition and Measurement — This standard establishes criteria for the recognition, derecognition, measurement and classification of financial instruments. The Corporation will be required to categorize its financial assets as held for trading, held to maturity, available for sale, or as loans and receivables. The Corporation will also be required to categorize its financial liabilities as held for trading or other liabilities. The related accounting treatment will be dependent on the classification. Financial assets and liabilities categorized as held for trading or available for sale are to be measured at fair value while financial assets and liabilities held to maturity, loans and receivables, and other liabilities are to be measured at amortized cost.

Section 1530 - Comprehensive Income — This standard requires certain gains and losses such as those arising from the change in the fair value of cash flow hedges or assets classified as available for sale, that would otherwise be recorded as part of net income, to be presented in other comprehensive income until such time as it is considered appropriate for them to be recognized in net income. A new financial statement entitled Comprehensive Income may be required in order to record such amounts until they are realized.

Section 3865 - Hedges — This standard establishes when and how hedge accounting can be applied. Derivatives will be classified as held for trading unless designated as hedging instruments. All derivatives will be measured at fair value. For derivatives that hedge the changes in the fair value of an asset or liability, changes in the derivatives' fair value will be reported in the net income and offset by changes in the fair value of the hedged asset or liability. For derivatives that hedge variability in cash flows, the effective portion of changes in the derivatives' fair value will be initially recognized in other comprehensive income, and will subsequently be reclassified to net income in the periods affected by the variability in the cash flows of the hedged item.

The following additional standard will come into effect for the Corporation's 2009 fiscal year. The Corporation is also in the process of determining the impact that this standard will have on its financial reporting.

Section 3031 – Inventories – This standard will effect the measurement and disclosure of the Corporation's inventory. The measurement changes include the allocation of fixed production costs based on the normal capacity of the production facilities and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Disclosures of inventories will also be enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs will be required to be disclosed.

3. CASH AND CASH EQUIVALENTS

As at April 30, 2007, cash and cash equivalents included a \$300 thousand U.S. dollar denominated term deposit (\$333 thousand Canadian dollar) in a Canadian bank. The average term to maturity was 1 day (2006 - nil) and the yield to maturity at April 30, 2007 was 4.7388% (2006 - nil).

4. INVENTORIES

(in thousands)	2007	2006
Finished fish products	\$ 12,028	\$ 12,645
Packaging material and supplies	891	927
	<u>\$ 12,919</u>	<u>\$ 13,572</u>

5. PROPERTY, PLANT AND EQUIPMENT

(in thousands)	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 336	\$ -	\$ 336	\$ 336
Buildings	9,020	6,517	2,503	2,317
Equipment	16,291	13,355	2,936	2,910
Fresh fish delivery tubs	1,438	437	1,001	236
Vessels	1,515	167	1,348	150
Construction in progress	448	-	448	178
	<u>\$ 29,048</u>	<u>\$ 20,476</u>	<u>\$ 8,572</u>	<u>\$ 6,127</u>

6. LOANS PAYABLE

(in thousands)	2007	2006
Promissory note	\$ 4,440	\$ 4,472
Bankers acceptances	16,300	13,300
	<u>\$ 20,740</u>	<u>\$ 17,772</u>

The bankers acceptances are unsecured, bear interest at 4.28% (2006 - 4.05%) and mature on May 2, 2007.

The \$4,000 thousand U.S. dollar denominated promissory note (\$4,440 thousand Canadian dollar) is unsecured, repayable in U.S. dollars, bears interest at 5.77% (2006 - 4.60%) and matures on August 20, 2007.

7. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,103 thousand (2006 - \$1,025 thousand) to sales agents. Included in that amount is \$1,084 thousand (2006 - \$990 thousand) of commissions paid to foreign sales agents.

8. INTEREST AND FOREIGN EXCHANGE GAINS AND LOSSES

Interest and foreign exchange gains and losses of \$1,769 thousand (2006 - \$5 thousand) includes interest of \$1,217 thousand (2006 - \$838 thousand), a net foreign exchange loss of \$885 thousand (2006 - net gain of \$573 thousand) and an unrealized fair value adjustment gain on derivative financial instruments of \$333 thousand (2006 - unrealized gain of \$260 thousand).

Interest paid during the year amounted to \$1,179 thousand (2006 - \$714 thousand).

9. PENSION BENEFITS

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands)	2007	2006
Corporation's contributions	\$ 643	\$ 634
Employees' contributions	\$ 300	\$ 282

10. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2006 - nil). At April 30, 2007 the estimate of the excess of undepreciated capital cost over the net book value of property, plant and equipment amounted to \$2,714 thousand (2006 actual - \$2,727 thousand) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation generates a significant portion of its sales in U.S. dollars and uses derivative financial instruments to reduce its exposure to change in the value of U.S. dollars. The Corporation currently uses the following types of instruments:

Open dated foreign exchange forward contracts - commitments to purchase or sell foreign currencies for delivery during a specified period in the future at a fixed rate.

Foreign exchange call options - right to purchase currencies at a specified price within a specific time period.

Included in prepaid expenses and other assets is an amount of \$333 thousand (2006 - \$260 thousand) representing the fair value of derivative financial instruments held as at April 30:

(in thousands)	2007	2006
Open dated foreign exchange forward contracts	\$ 265	\$ 251
Foreign exchange call options	68	9
	<u>\$ 333</u>	<u>\$260</u>

Notional principal amounts outstanding as at April 30 are listed below for the open dated foreign exchange contracts and foreign exchange call options entered into by the Corporation. The remaining term to maturity of all of these derivative financial instruments are under one year.

(in thousands)	2007	2006
Open dated foreign exchange forward contracts	\$ 8,569	\$ 7,723
Foreign exchange call options	\$ 8,325	\$ 6,065

In any transaction there is a potential for loss. The risk of loss relating to the Corporation's derivative financial instruments is represented by (1) credit risk, wherein the counterparty fails to perform an obligation as agreed upon, causing the Corporation to incur a financial loss, and (2) market risk, where an exposure exists as a result of the possibility of adverse changes in foreign exchange rates. The Corporation manages its exposure to credit risk by contracting only with creditworthy counterparties. The Corporation manages its exposure to market risk (foreign exchange) by acquiring derivative financial instruments only within limits approved by the Board of Directors.

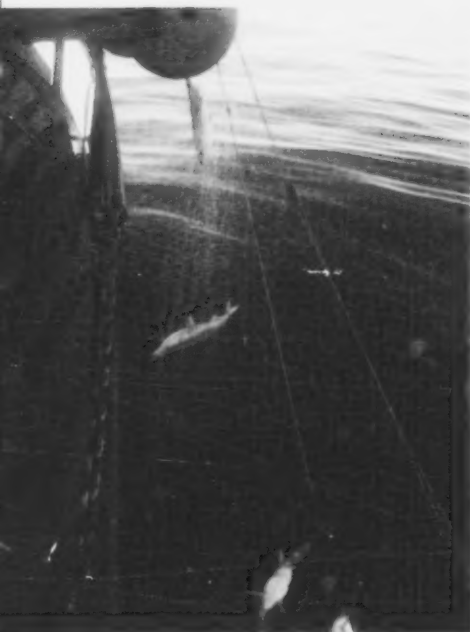
12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments. Derivative related amounts are valued at their fair value on the balance sheet. The estimate of the fair value of the open dated foreign exchange forward contracts is calculated using the current market spot and forward exchange rates at the end of the year, taking into consideration the closing date of the open dated foreign exchange forward contracts. The estimate of the fair value of the foreign exchange call options is calculated using the valuation technique commonly used for these instruments.

13. CONTINGENCIES

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which any liability is considered likely and the associated costs can be reasonably estimated.

Corporate Governance



A Board of eleven Directors, including the President and Chief Executive Officer, governs the Corporation. All Board positions are federal

Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2006/07 fiscal year, six of those Directors were fishers and six were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. It is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

Board members exercised their liaison role with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent. A Quarterly Report is issued to stakeholders highlighting key financial results and commenting on the progress of fisheries across the FFMC region.

The Corporation's Board members met eight times in Winnipeg during the fiscal year. Once per quarter, the Board undertook a comprehensive review of financial results and operational issues. In May 2006, there was a special meeting of the Board to interview the

preferred candidate for the President and CEO position, John Wood; the position was available as a result of Robert Hand's retirement. During the early August 2006 meeting, the Board received the annual audit report from the Office of the Auditor General and approved the 2005/06 Annual Report. Late in November 2006, the Board met for a retirement dinner, to recognize the long-term, considerable contribution of Alberta Board member, David McArthur. This coincided with a visit the following day by the Minister of Fisheries and Oceans, Loyola Hearn, to the Corporation offices and a meeting with Board members. In early April 2007, the Board met to approve its five-year annual Corporate Plan and operating budget for submission to Treasury Board.

The Board considered six applications under the Export Dealers Licence policy and approved two.

Major conferences or annual meetings attended included the Alberta Commercial Fishermen's Association, Manitoba Commercial Inland Fisheries Federation, Dauphin River fishers, Victoria Beach fishers, Northwest Territories Fishermen's Federation, Crown Corporate Governance 2007 conference, State of the Industry: Food & Beverage Benchmarking Forum, Saskatchewan Cooperative Fisheries Ltd., Boston and Brussels Seafood Shows.

Board of Directors



Jim Bear

Chairperson of the Board
Scanterbury, Manitoba
Occupation: Political Advisor,
Southeast Tribal Council
Served on FFMC Board: 6 years



John K. Wood

President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 7 months



Robert F. Hand (retired Oct. 2006)

President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 7 years



Irvin Constant

The Pas, Manitoba
Occupation: Fisher
Served on FFMC Board: 11 years



Gordon McDougall

Ashern, Manitoba
Occupation: Fisher
Served on FFMC Board: 11 years



James R. Favel

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 8.5 years



Ed Isfeld

Winnipeg Beach, Manitoba
Occupation: Fisher
Served on FFMC Board: 17 years



David McArthur (retired Dec. 2006)

Lac La Biche, Alberta
Occupation: (Retired) Executive
Director, Alberta Commercial
Fishermen's Association
Served on FFMC Board: 25.5 years



Bert Buckley

Hay River, Northwest Territories
Occupation: Fisher
Served on FFMC Board: 8 years



Terry Hansen (term ended Oct. 2006)

Beauval, Saskatchewan
Occupation: Heavy Duty Mechanic
Served on FFMC Board: 4 years



Ron Ballantyne

Grand Rapids, Manitoba
Occupation: Fisher
Served on FFMC Board: 3.5 years



Bob Paterson

Sioux Lookout, Ontario
Occupation: Area Supervisor,
Ontario Ministry of Natural Resources
Served on FFMC Board: 3 years



Peter A. Beatty

Deschambault Lake, Saskatchewan
Occupation: Vice-Chief, Peter Ballentyne First Nation
Served on FFMC Board: 7 months



Gail Wood

Edmonton, Alberta
Occupation: Owner, Wayne Wood Fresh Fish Ltd.
Served on FFMC Board: 3 months

Corporate Officers

John K. Wood

President and Chief Executive Officer (from Oct. 2006)
Email: john.wood@freshwaterfish.com

Gabriella Bradics

Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerald F. Malone

Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com

Stephen Kendall

Vice-President, Operations
Email: stephen.kendall@freshwaterfish.com



M.S. Goldfield

Serving Freshwater Fish Marketing Corporation 1989 to 2006

M.S. Goldfield "the boat of many names":

Approximately 180 fishers on the remote east side of Lake Winnipeg's North Basin depend on transportation by boat to deliver more than 840,000 kilograms of pickerel and whitefish annually. The M.S. Goldfield provided freighting service to the Berens River, George Island, Poplar River, McBeth Point, and in earlier days, Catfish Creek and Warren Landing delivery points.



- 1886: First built as the "S.S. Frank Burton" by Captain John Hall for Reid and Tait Fisheries of Selkirk, Manitoba.
 - 1890: Acquired by the Phoenix Brick, Tile and Lumber Co. and renamed the "S.S. Minerva".
 - 1905: Larry Fisher (former transportation manager of Phoenix Brick company) rebuilt and renamed her the "S.S. Goldfield", after a promising gold mine in the Bissett, Manitoba area. His intention was to transport passengers and freight from Selkirk to Manigotagan for the gold mines. He went out of business a few years later.
 - 1908: The federal government took over the boat and she was used by the hydrographic survey of Lake Winnipeg.
 - 1914: Riverton Fisheries (plant at Hnaua, Manitoba) acquired her for use as a fishing tug and towboat.
 - 1919: Gimli Fisheries purchased and rebuilt the boat for use as a lake freighter. Her final name change to the "M.S. Goldfield" denoted the switch from steam to motor power.
 - 1930: Converted to diesel engine by Armstrong (Gimli). She was among the first diesel-power vessels on Lake Winnipeg.
 - 1939: B.C. Packers acquired ownership until 1969.
 - 1952: The boat was rebuilt with steel frames and a Rolls Royce diesel engine.
 - 1969: Sigurdson Fisheries Co. of Riverton, Manitoba bought the Goldfield, ending 50 years of calling Gimli her home port.
 - 1972: Sigurdson Fisheries Co. rebuilt the boat again with a steel hull and re-powered her with Detroit diesels from the J.R. Spear (another vessel).
 - 1989: The M.S. Goldfield was purchased by Freshwater Fish Marketing Corporation for use as a freighter on Lake Winnipeg. Her home port remained in Riverton for the next 17 years.
 - 2006: Final retirement from longstanding service of "the boat of many names". The M.S. Goldfield was replaced by the Poplar River barge.
- The Goldfield has been donated to the Town of Riverton (Manitoba) historical society.



1199 Plessis Road, Winnipeg, Manitoba, Canada R2C 3L4
 Phone: (204) 983-6600
 Fax: (204) 983-6497
www.freshwaterfish.com